

Message Text

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21

ACTION ARA-10

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 6757

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E.O. 11652: N/A

TAGS: ENRG, VE, DR

SUBJECT: GODR COMMISSION DIVIDED ON AWARDED PETROLEUM
EXPLORATION TO VENEZUELAN

REF: SANTO DOMINGO 885, SANTO DOMINGO 1032

1. ACCORDING TO LOCAL PRESS AND KNOWLEDGEABLE SOURCES, TWO OF THE FOUR MEMBERS OF THE GODR COMMISSION ON AWARDED PETROLEUM EXPLORATION CONCESSIONS HAVE SIGNED A MEMORANDUM TO PRESIDENT BALAGUER RECOMMENDING THAT A LARGE CONCESSION ALONG THE HAITIAN FRONTIER BE AWARDED TO PETROLERAS LAS MERCEDES, ONCE A SUBSIDIARY OF ESSO WHICH IS NOW WHOLLY-OWNED BY THE VENEZUELAND GOVERNMENT.

2. WHILE PRESIDENTIAL ECONOMIC ADVISOR CARLOS SELIMAN AND SECRETARY OF INDUSTRY AND COMMERCE GUIDO D'ALESSANDRO REPORTEDLY FAVORED GIVING A PETROLEUM CONCESSION TO THE VENEZUELANDS, CEDOPEX DIRECOTR FERNANDO PERICHE VIDAL AND A REPRESENTATIVE OF THE SECRETARY OF FINANCE ARE SAID NOT RPT NOT TO HAVE CONCURRED. NO PERMANENT SECRETARY OF FINANCE HAS YET BEEN NAMED, AND
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PERICHE WANTS TO ADVERTISE FURTHER FOR INTERNATIONAL BIDDING.

3. DR. MILTON MESSINA, FORMERLY DOMINICAN AMBASSADOR TO THE US, SENT A LETTER TO EL CARIBE WHICH REPORTED APRIL 21 REVEALING THE TERMS OF THE OFFER OF HIS CLIENT, A CONSORTIUM CALLED CARIBOIL-STALLWORTH-TEXAS CRUDE. MESSINA SAID HE WAS PROMPTED TO REVEAL HIS CLIENT'S TERMS BECAUSE HE BELIEVES THEY ARE BETTER THAN THOSE OF LAS MERCEDES.

4. MESSINA TOLD THE ECONOMIC COUNSELOR THAT CARIBOIL-STALLWORTH-TEXAS CRUDE IS AN AD HOC CONSORTIUM PUT TOGETHER TO BID FOR A DOMINICAN CONCESSION. MESSINA SUPPLIED INFORMATION ONLY ON STALLWORTH, WHICH APPEARS TO BE A SMALL DALLAS-BASED COMPANY WHICH HAS DONE SOME DRILLING IN TEXAS, NEW MEXICO AND WEST VIRGINIA.

5. THE CARIBOIL CONSORTIUM, ACCORDING TO MESSINA, MADE TWO SEPARATE OFFERS TO THE GODR: (1) 50 PERCENT OF GROSS PRODUCTION TO GO TO GODR AND THE REMAINDER TO THE COMPANY, BUT IF PRODUCTION EXCEEDS 100,000 BARRELS, 55 PERCENT WOULD GO TO THE GODR AND 45 PERCENT TO THE COMPANY; OR (2) 15 PERCENT OF GROSS PRODUCTION WOULD GO TO THE GODR WITH 85 PERCENT TO THE CONCESSIONAIRE WHO WOULD PAY 40

PERCENT OF THE 85 PERCENT IN TAXES, MEANING IN EFFECT A SPLIT OF 51 PERCENT TO THE GODR AND 49 PERCENT FOR CARIBOIL.

6. ACCORDING TO MESSINA AS WELL AS PRESS STATEMENTS ATTRIBUTED TO A MERCEDES OFFICIAL, MERCEDES OFFERED THE GODR 30 PERCENT OF GROSS PRODUCTION PLUS PAYMENT OF ON-HALF OF 40 PERCENT CORPORATE INCOME TAX DURING FIRST FIVE YEARS OF PRODUCTION AND 100 PERCENT OF CORPORATE INCOME TAX AFTER FIRST FIVE YEARS.

7. MESSINA CLAIMED THAT EASTERN, A FIRM OPERATING IN ALABAMA WITH FINANCIAL BACKING FROM A REFINING COMPANY OF FLORIDA AND LOUISIANA CALLED CRYSTAL, MADE THE BEST OFFER OF ALL: 70 PERCENT OF GROSS PRODUCTION TO THE GODR WITH EASTERN PAYING 40 PERCENT CORPORATE

INCOME TAX ON ITS 30 PERCENT.

8. TWO OTHER US OIL COMPANIES HAVE BEEN INTERESTED IN PETROLEUM CONCESSION: (1) WHITE SHIELD, ABOUT WHICH NOTHING IS KNOWN, AND (2) THE ONLY WELL-KNOWN COMPANY, TEXACO, WHICH HAS WITHDRAWN. LIMITED OFFICIAL USE

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THE LMWAL REPRESENTATIVE OF TEXACO HAS STEADILY MAINTAINED THAT THE GODR'S CONDITIONS FOR EXPLORATION ON LAND OR OFFSHORE ARE TOO TOUGH. WITH THE ASSISTANCE OF UN ADVISORS, THE GODR HAS DRAWN UP A MODEL CONTRACT WHICH WOULD GIVE THE GODR ABOUT 80 PERCENT OF GROSS PRODUCTION WITH THE REMAINDER GOING TO THE CONCESSIONAIRE.

9. CARIBOIL'S LOCAL AGENT, MESSINA, IS ALSO A MEMBER OF THE DOMINICAN-VENEZUELAN TRADE COMMISSION WHICH HAS RECENTLY EXPLORED

TERMS FOR DOMINICAN PURCHASES OF VENEZUELAN PETROLEUM, PERHAPS ON CREDIT IN EXCHANGE FOR A LONG-TERM PURCHASE COMMITMENT. MESSINA TOLD ECONOMIC COUNSELOR THAT THERE WAS NO LINKAGE BETWEEN MERCEDES' EFFORTS TO GET PETROLEUM CONCESSION AND TRADE TALKS WITH VENEZUELA.

10. ON LATTER SUBJECT MESSINA REFERRED TO EIGHT PERCENT INTEREST RATE FOR PURCHASING VENEZUELAN OIL ON CREDIT. HE ALSO SAID VENEZUELAN HAD TOLD DOMINICANS THAT THEY NO LONGER HAD FUNDS FOR CONCESSIONARY LENDING BECAUSE IT HAD TURNED OUT VENEZUELA WAS LESS FLUSH THAN IT HAD EARLIER THOUGH IT WOULD BE. MESSINA REMARKED, HOWEVER, THAT THE BALL WAS IN VENEZUELA'S COURT, THE IMPLICATION

BEING THAT THE GODR HAD MADE SOME PROPOSAL WHICH VENEZUELA HAS NOT RESPONDED TO. MESSINA OBSERVED ANY GODR BONDS TAKEN IN EXCHANGE FOR VENEZUELAND OIL WOULD NEED TO CARRY AN ATTRACTIVE INTEREST RATE SHOULD VENEZUELAND GOVERNMENT WISH TO RESELL THEM. BUT, MESSINA REMARKED, WHERE ELSE CAN DR GET \$250 MILLION IN CREDIT? ASKED TO ELABORATE, HE SAID DR WOULD BE EARNING THAT MUCH LESS IN SUGAR THIS YEAR.

11. MESSINA DISCOUNTED LIKELIHOOD OF DEAL INVOLVING VENEZUELAND PETROLEUM AND DOMINICAN SUGAR. ACCORDING TO LOCAL PRESS, PRESIDENT BALAGUER, IN MEETING WITH LOCAL DOMINICAN BUSINESSMEN WHICH HE HOLDS EVERY MONTH OR SO, STATED APRIL 20 THAT GODR IS STILL DISCUSSING A POSSIBLE TRADE AGREEMENT WHICH WOULD INVOLVE BOTH SUGAR AND PETROLEUM.

12. THE MAGNITUDES OF POSSIBLE DOMINICAN IMPORTS OF VENEZUELAN PETROLEUM AND VENEZUELAN PURCHASES OF DOMINICAN SUGAR ARE QUITE DISPARATE. WHEREAS DR WILL BE IMPORTING APPROXIMATELY \$185 MILLION IN PETROLEUM THIS YEAR, VENEZUELA IS REPORTEDLY INTERESTED IN PURCHASING NO MORE THAN 75,000 TO 100,000 TONS OF SUGAR, WHICH AT LIMITED OFFICIAL USE

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CURRENT 14 CENTS PER POUND COMES TO ONLY A MAXIMUM OF \$28 MILLION.

AXELROD

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